

**DOCKET NO. 2011-229-W/S**

**FIRST INTERROGATORIES OF  
INTERVENORS HAIG POINT CLUB AND  
COMMUNITY ASSOCIATION, MELROSE  
PROPERTY OWNER'S ASSOCIATION AND  
BLOODY POINT PROPERTY OWNER'S  
ASSOCIATION**

- A. That all information shall be provided to the undersigned in the format as requested.
- B. That all responses to the below Interrogatories shall be labeled using the same numbers as used herein.
- C. That if the requested information is found in other places or in other exhibits, reference not be made to those, but, instead, that the information be reproduced and placed in the responses to these Interrogatories in the appropriate sequence.

- D. That any inquiries or communication relating to questions concerning clarifications of the data requested below be directed to the undersigned.
- E. That, in addition to the signature and verification at the close of each response, the individual responsible for the information contained in each answer be also identified.
- F. That each Interrogatory be reproduced at the beginning of the response thereto.
- G. If the response to any Interrogatory is that the information requested is not currently available, state when the information requested will become available.
- H. These Interrogatories shall be deemed continuing so as to require you to supplement or amend your responses as any additional information becomes available up to and through the date of the hearing.
- I. If a privilege not to answer is claimed, **identify each matter as to which the privilege is claimed, the nature of the privilege, and the legal and factual basis for each such claim.**
- J. If a refusal to answer an Interrogatory is stated on the grounds that same would be unduly burdensome, **identify the number and nature of documents needed to be searched, the location of the documents, and the number of man hours and costs required to conduct the search.**
- K. Answer each Interrogatory on the basis of your entire knowledge, including information in the possession of DIUC, its officers, directors, members, employees, consultants, representatives, attorneys, subsidiaries, and subcontractors.
- L. If any Interrogatory cannot be answered in full, answer to the extent possible and **specify** reasons for inability to answer.

### **DEFINITIONS**

- 1. AS USED HEREIN, "APPLICANT" SHALL MEAN DAUFUSKIE ISLAND UTILITY COMPANY, INC. ("DIUC"), WITH ITS MANAGERS, EMPLOYEES, AGENTS, CONSULTANTS, EXPERTS, PARENTS, SUBSIDIARIES, AFFILIATES, AND PARTNER COMPANIES AND OTHER OPERATIONAL OR FUNCTIONAL UNITS AND ALL OFFICERS, DIRECTORS, EMPLOYEES, AGENTS AND

REPRESENTATIVES OF THESE ENTITIES. IT ALSO INCLUDES ALL OTHER PERSONS ACTING ON BEHALF OF APPLICANT.

2. AS USED HEREIN, HAIG POINT CLUB AND COMMUNITY ASSOCIATION, INC. ("HPCCA") SHALL MEAN HPCCA, WITH ITS EMPLOYEES, AGENTS, CONSULTANTS, EXPERTS, PARENTS, SUBSIDIARIES, AFFILIATES, AND PARTNER COMPANIES AND OTHER OPERATIONAL OR FUNCTIONAL UNITS AND ALL OFFICERS, DIRECTORS, EMPLOYEES, AGENTS AND REPRESENTATIVES OF THESE ENTITIES. IT ALSO INCLUDES ALL OTHER PERSONS ACTING ON BEHALF OF HPCCA.
3. AS USED HEREIN, MELROSE PROPERTY OWNER'S ASSOCIATION, INC. ("MPOA") SHALL MEAN MPOA, WITH ITS EMPLOYEES, AGENTS, CONSULTANTS, EXPERTS, PARENTS, SUBSIDIARIES, AFFILIATES, AND PARTNER COMPANIES AND OTHER OPERATIONAL OR FUNCTIONAL UNITS AND ALL OFFICERS, DIRECTORS, EMPLOYEES, AGENTS AND REPRESENTATIVES OF THESE ENTITIES. IT ALSO INCLUDES ALL OTHER PERSONS ACTING ON BEHALF OF MPOA.
4. AS USED HEREIN, BLOODY POINT PROPERTY OWNER'S ASSOCIATION, INC. ("BPPOA") SHALL MEAN BPPOA, WITH ITS EMPLOYEES, AGENTS, CONSULTANTS, EXPERTS, PARENTS, SUBSIDIARIES, AFFILIATES, AND PARTNER COMPANIES AND OTHER OPERATIONAL OR FUNCTIONAL UNITS AND ALL OFFICERS, DIRECTORS, EMPLOYEES, AGENTS AND REPRESENTATIVES OF THESE ENTITIES. IT ALSO INCLUDES ALL OTHER PERSONS ACTING ON BEHALF OF BPPOA.
5. PLEASE CONSTRUE "AND" AS WELL AS "OR" EITHER DISJUNCTIVELY OR CONJUNCTIVELY AS NECESSARY TO BRING WITHIN THE SCOPE OF THESE

INTERROGATORIES ANY INFORMATION WHICH MIGHT OTHERWISE BE CONSTRUED OUTSIDE THEIR SCOPE.

6. "DOCUMENT" SHALL MEAN ANY WRITTEN, PRINTED, TYPED, RECORDED, PHOTOGRAPHIC OR OTHER GRAPHIC MATTER OF ANY KIND OR NATURE, AND ALL MECHANICAL AND ELECTRICAL SOUND RECORDINGS AND ANY TRANSCRIPTS THEREOF, AND COMPUTER DATA FILES IN YOUR POSSESSION, CUSTODY, AND/OR CONTROL, OR KNOWN BY YOU TO EXIST; IT SHALL ALSO MEAN ALL COPIES OF DOCUMENTS BY WHATEVER MEANS MADE.
7. "IDENTIFY" OR "IDENTITY" USED WITH REFERENCE TO AN INDIVIDUAL MEANS TO STATE HIS OR HER FULL NAME, PRESENT OR LAST KNOWN ADDRESS, PRESENT OR LAST KNOWN POSITION AND BUSINESS AFFILIATION, AND EMPLOYER, TITLE, AND POSITION AT THE TIME IN QUESTION. IF THE PERSON WAS AN OFFICER, DIRECTOR, TRUSTEE, COMMISSIONER, OR EMPLOYEE OF DIUC, ALSO STATE THE JOB TITLE AND AREAS OF RESPONSIBILITY.
8. "IDENTIFY" OR "IDENTITY" USED WITH REFERENCE TO A WRITING MEANS TO STATE THE DATE, AUTHOR, TYPE OF DOCUMENT (E.G. LETTER, MEMORANDUM, TELEGRAM, CHART, NOTE APPLICATION, ETC.) OR OTHER MEANS OF IDENTIFICATION, AND ITS PRESENT LOCATION OR CUSTODIAN. IF ANY SUCH DOCUMENT IS NO LONGER IN DIUC'S POSSESSION OR SUBJECT TO THEIR CONTROL, STATE WHAT DISPOSITION WAS MADE OF IT.
9. "YOU" AND "YOURS" INCLUDE DAUFUSKIE ISLAND UTILITY COMPANY, INC., AS DEFINED HEREIN, AND ANY OF ITS MEMBERS, INDIVIDUALLY, WHO HAVE KNOWLEDGE OR CONTROL OF INFORMATION REQUESTED IN THE REQUEST FOR PRODUCTION.

10. "COMPANY" SHALL MEAN DAUFUSKIE ISLAND UTILITY COMPANY, INC.

### **INTERROGATORIES**

1. Regarding the Bankruptcy Court Order issued on September 24, 2009 in Case No. 09-00389-jw, please refer to the following language from page 6 of the Court's Order regarding CK Materials' purchase of Melrose Utility Company, Inc. ("MUC") and HPMWTC:

\* \* \*

13....

b. The sale price is to be paid by, and consists of, the following: (1) CKM will assume and pay the outstanding payables owed by MUC to DIU, which the Trustee and Mr. Karabinchak state is presently in the approximate total amount of \$241,000.00, including amounts that have accrued subsequent to the filing of the Motion; (2) CKM will install and construct capital improvements and perform such other remedial measures as required by applicable government agencies to restore the facilities to required standards for the maintenance and operation of MUC's business, which capital expenditures are estimated in the amount of at least \$150,000 (defined in the Stock Purchase Agreement as the "Restoration Costs"); (3) CKM will cover the costs for DIUC to provide management, repair and operating services to MUC for the period through December 31, 2009, which have been allocated a value of \$100,000; and (4)

payment of \$20,000 in certified funds to the Estate, adjusted for pro-rations and Seller's costs under the Stock Purchase Agreement.

\* \* \*

- a. With regard to Item 13.a.(1), did CKM pay DIUC for the identified outstanding payables? If yes,
- i. What amount of money did CKM pay to DIUC pursuant to its obligations under paragraph 13.a.(1) and when were these amounts paid?
  - ii. What method did CKM utilize to pay these amounts to DIUC pursuant to its obligations under paragraph 13.a.(1) (e.i, check, cash, wire transfer, etc.)?
  - iii. Identify the financial/banking institutions involved in these payments for both CKM and DIUC, including the account numbers for the account from which the funds were withdrawn and the account into which the funds were deposited.
- b. With regard to Item 13.a.(2), did CKM install and construct capital improvements and perform such other remedial measures, as set forth therein? If yes,
- i. Identify each and every such capital improvement and remedial measure CKM installed and/or constructed, including a full description of each improvement/measure, the date upon which each improvement/measure was completed, the companies and/or persons who performed and/or installed the improvement/measure, the amount of money CKM paid for the improvement/measure, and the entity(ies) and/or person(s) that CKM paid for the improvement/measures.
  - ii. What method did CKM utilize to pay for these improvements/measures (e.i, check, cash, wire transfer, etc.)?

iii. Identify the financial/banking institutions out of which CKM made the payments it made for these improvement/measures.

c. With regard to Item 13.a.(3), did CKM cover the costs for DIUC to provide management, repair and operating services to MUC, as set forth therein? If yes,

i. What amount of money did CKM pay to DIUC or any other person and/or entity pursuant to its obligations under paragraph 13a.(3) and when were these amounts paid?

ii. What method did CKM utilize to pay these amounts, pursuant to its obligations under paragraph 13a.(3) (e.i, check, cash, wire transfer, etc.)?

iii. Identify the financial/banking institutions involved in these payments for both CKM and DIUC or the other recipient, including the account numbers for the account(s) from which the funds were withdrawn and the account(s) into which the funds were deposited.

iv. Identify and describe any and all services, if any, that CKM performed to assist DIUC to provide management, repair and operating services to MUC, as set forth in paragraph 13a.(3)? Describe in detail, including the dates of such services, the exact nature of such services, and the persons performing such services.

2. Identify the current owners of CK Materials, LLC, including their current addresses, percentage and nature/class of their ownership interests, and dates upon which they obtained their ownership interests. To the extent that there are any owners who are not of the same class (e.g., Class A members, Class B members, etc.), explain in detail the characteristics, rights, and obligations of each ownership interest.
3. Do Jamie Karabinchak, Jadwiga Karabinchak, and/or any of their relatives (collectively, the "Karabinchak Owners") own any portion of CK Materials, LLC?

4. From 2009 through present, provide the date upon which each Karabinchak Owner ceased to have ownership interests in CKM and describe the transaction through which their ownership interest was transferred, to whom it was transferred, and the consideration/monetary payment for the transfer.
5. Identify the current Board of Directors for CK Materials, LLC.
6. Identify the current Board of Directors for DIUC.
7. Reference is hereby made to paragraph 4 of the Plan of Merger of Melrose Utility Company, Inc. (S.C. Domestic) and Haig Point/Melrose Waste Water Treatment Company, Inc. (S.C. Domestic), dated as of the 31 day of August, 2010 (the Plan of Merger"). Paragraph 4 states that "the merger shall become effective upon filing of the Articles of Merger with the Secretary of State of the State of South Carolina."
  - a. Has the merger of Melrose Utility Company and Haig Point/Melrose Waste Water Treatment Company, Inc. become effective? If so, when?
  - b. Do the South Carolina Secretary of State's records reflect that the separate corporate existence of HPMWTC has ceased, as contemplated by paragraph 2(e) of the Plan of Merger? If so, when did those records first reflect that?
  - c. Identify all current owners of Haig Point Melrose Water Treatment Company, Inc. ("HPMWTC") with an explanation of the nature and percentage of each person's or entity's ownership interest.
8. Identify the current owners of Guastella Associates, LLC, including the percentage of their ownership interests.



9. Identify the total amounts that Guastella Associates, LLC has billed to DIUC for work Guastella Associates, LLC has performed in support of and/or in connection with this rate proceeding.
10. Identify all payments that DIUC has made to Guastella Associates, LLC for work Guastella Associates, LLC has performed in support of and/or in connection with this rate proceeding, including the date and amount of each such payment.
11. Identify the total amounts that Guastella Associates, LLC has billed to CK Materials, LLC and/or its owners for work Guastella Associates, LLC has performed in support of and/or in connection with this rate proceeding.
12. Identify all payments that CK Materials, LLC and/or its owners have made to Guastella Associates, LLC for work Guastella Associates, LLC has performed in support of and/or in connection with this rate proceeding, including the date and amount of each such payment.
13. Identify all amounts that any other person or entity has billed to DIUC for work those other persons and/or entities have performed in support of and/or in connection with this rate proceeding.
14. Identify, separated by year, the total amount of money that DIUC (formerly known as Haig Point Utility Company, Inc.) has collected in water and sewer availability fees from the date when CK Materials, LLC became the owner of DIUC, forward.

15. Identify, separated by year, the total amount of money that MUC has collected in water and sewer availability fees from the date when CK Materials, LLC became the owner of MUC, forward.
16. Provide a list of all persons or entities, including their addresses, to which DIUC or its agents “sent a copy of the required Revised Notice of Filing” as set forth in the March 28, 2012 Affidavit of Christy E. Fabiano filed in this docket, including the method through which this Revised Notice of Filing was sent.
17. Provide details of the total water rate case expense of \$90,600 the Company is requesting to include in the determination of rates. Please reconcile response with the response to ORS’s First Continuing Audit Information Request, item 1.16 and the response to ORS Audit Request Form, item 19. A detailed listing of items that make up the \$90,600 amount for water should be provided.
18. Provide details of the total wastewater rate case expense of \$90,600 the Company is requesting to include in the determination of rates. Please reconcile response with the response to ORS’s First Continuing Audit Information Request, item 1.16 and the response to ORS Audit Request Form, item 19. A detailed listing of items that make up the \$90,600 amount for Sewer should be provided.
19. Refer to Schedule W-B.1 of the Application. Is the formula in cell E28 correct?
20. Refer to Schedule S-B.1 of the Application. Is the formula in cell E28 correct?

21. Refer to the response ORS 29(3). Separately provide for water and for wastewater the amount of availability fees billed to property owned by individual stockholders for the historic test year. Provide the journal entry that is made to record these fees.
22. Provide details of the amounts paid for the Melrose system from bankruptcy.
23. Provide details of the test year bad debt expense for water and for wastewater. Explain the circumstances of each bad debt written off during the test year.
24. Are there any areas on Daufuskie Island in which either or both the water and wastewater utility have extended service lines that are not charged availability fees?
25. Identify each customer that DUI serves in the Oak Ridge area of Daufuskie Island?  
Identify the number of lots that DUI can serve in the Oak Ridge area for which it is not currently charging availability fees.
26. Detail all late fees included in the revenue requirement for the water utility by account and by payee.
27. Detail all late fees included in the revenue requirement for the wastewater utility by account and by payee.
28. Provide the total amount of directors' fees included in the revenue requirement for the water utility by account and by payee.
29. Provide the total amount of directors' fees included in the revenue requirement for the wastewater utility by account and by payee.

30. Did the utility procure bids for management services when Guastella Associates was hired to manage the utility? If yes, provide all bids received. If no, explain how the reasonableness of the contract prices and terms were evaluated.
31. Explain why the revenue taxes paid for the historic test year are not equal to the .95102% of revenues.
32. Provide the original cost of plant in service by primary plant account as of the date that DIUC acquired Melrose Utility Company pursuant to the bankruptcy court order.
33. Provide the accumulated depreciation recorded on the books of Melrose Utility Company as of the date DIUC acquired Melrose Utility Company pursuant to the bankruptcy court order.
34. Provide a list of the Melrose accounts payable assumed and paid by CK Materials.
35. Provide a list of the capital improvements to the MUC and HPMWTC systems constructed by CK Materials pursuant to the bankruptcy court order. Are these amounts included in CK Materials' \$1.3 million loan from Coastal State Bank?
36. Why is it reasonable for DIUC to pay off CK Materials' \$1.3 million debt thereby assuming that debt?
37. Provide a detailed breakdown showing how the \$1.3 million CK Materials borrowed from Coastal State Bank was utilized. Provide the amount paid for each item.
38. Provide the most recent and most accurate estimate of the cost of repair of the lining of the wastewater treatment plant lagoon mentioned on page 7 of Mr. Guastella's direct testimony.



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Attorneys for Haig Point Club and Community  
Association, Inc., Melrose Property Owner's  
Association, Inc., and Bloody Point Property  
Owner's Association

Columbia, South Carolina  
April 27, 2012

BEFORE  
THE PUBLIC SERVICE COMMISSION OF  
SOUTH CAROLINA  
DOCKET NO. 2011-229-W/S

RE:	)	
	)	
Application of Daufuskie Island Utility	)	
Company, Inc. for Approval for Water	)	<b>CERTIFICATE OF SERVICE</b>
and Sewer Rates, Terms and	)	
Conditions	)	

This is to certify that I have caused to be served this day the **First Interrogatories** of Haig Point Club and Community Association, Inc. ("HPCCA"), Melrose Property Owner's Association, Inc. ("MPOA"), and Bloody Point Property Owner's Association ("BPPOA") via electronic mail service as follows:

Shannon Bowyer Hudson, Esquire  
Nannette S. Edwards, Esquire  
Courtney Dare Edwards, Esquire  
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s/ John F. Beach  
John F. Beach

April 27, 2012  
Columbia, South Carolina